



China's forest tenure reform and institutional change at a crossroads[☆]



Ping Liu^a, Runsheng Yin^{b,c}, Hua Li^{b,*}

^a College of Management, Tianjin Normal University, Tianjin 300387, China

^b College of Economics and Management, Northwest A&F University, Yangling 712100, China

^c Department of Forestry, Michigan State University, East Lansing, MI 48824, USA

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ABSTRACT

China's latest rural forest reforms have made headway by further devolving the use rights of collectively owned forestland and relaxing government control over private forestry operations. However, there have been policy inconsistencies, conflicts, and even maladaptions such as harvest restrictions, taking of devolved forestland without fair compensation, lack of flexibility in local execution, and a rush to forming co-ops. Building on recent research advances, this paper attempts to further elucidate practical solutions to these challenges. The authors argue that the stake is high to address these challenges in a timely manner, and that effective and coherent resolutions to them are urgently needed. To that end, it is essential to better understand the institutional economics in regard to property rights, collective action, transaction costs, and governance, and to better understand the primary features of forest ecosystems and forestry as well as the rural society of China. It is hoped that this effort will contribute to the continued discussion and more effective implementation of the forest devolution and institutional transition in China and elsewhere.

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1. Introduction

China's rural forest sector has undergone a new round of seemingly substantive reforms by further devolving the resource use rights to individuals or groups of households and improving the policy environment (Xu, 2010; Yin et al., 2013a). In addition to access, management, and benefit claim, farmers' use rights now encompass forestland transferring, inheriting, and mortgaging. The duration of holding has been extended to 70 years. Other measures, such as reduction of taxes and fees imposed on timber sales, have been implemented as well. The gist of these reforms is to provide farmers with more freedom in land use decisions and greater incentive in forest management practices, so that the productivity and functionality of the forest ecosystems can be substantially enhanced.

Meanwhile, several major policy conflicts, inconsistencies, and maladaptions have persisted or emerged recently (Yin et al., 2013a). They include: (1) the harvest restrictions on logging and thinning of commercial forests; (2) the designation of devolved forests for ecological purposes without fair compensation and ensuing restrictions on silvicultural operations; (3) the parcelization of forestlands first and then

quickly forming co-ops to consolidate them; (4) the extensively disputed boundaries and conflicting claims and unfair and non-transparent forestland transferring; and (5) the top-down and command-and-control approach to carrying out ecological restoration initiatives (without heeding local needs/desires) and adopting market-based mechanisms (Yin et al., 2014a). Consequently, the empowerment and incentivization of individuals, communities, and business organizations, as envisioned in launching the reforms, have not come close to what was promised or expected. If not dealt with in a prompt and effective fashion, these challenges will dampen the improved outlook for future development and even derail the reforms. It would be a huge tragedy to the rural forestry and livelihoods if that happened (Yin et al., 2013b).

Here, we elucidate how to resolve these interconnected and complex issues. In the next section, we will review the reform process and challenges that have persisted or emerged. In Section 3, we will present an analytic framework, within which we deliberate specific actions to be taken in addressing the major issues, which appear in Section 4. In our closing remarks in the final section, we will also suggest several constructive options to approach the necessary actions.

2. Evolution of collective forest governance: process and challenges

In China, forestland ownership falls into two broad classes—collective or state. Collective forestland, owned by rural communities (i.e., villages), amounts to 180 million ha—60% of the nation's total. However, collective forests carry only 45% of the total forest volume (13.6 billion m³). In general, they feature low growth rates and stocking

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* Corresponding author.

E-mail addresses: liuping7533@126.com (P. Liu), yinr@msu.edu (R. Yin), lihua7485@163.com (H. Li).

Table 1
Comparing forests in Hunan, China and Alabama, USA.

Basic features	Alabama				Hunan			
	Hardwood	Mixed	Softwood	All	Hardwood	Mixed	Softwood	All
Number of plots	1634	271	1356	3261	338	1103	2031	3472
Age (years)	45.8	44.8	28.4	38.5	16.9	17.3	16.9	17.0
DBH (cm)	19.7	19.2	19.0	19.4	10.1	10.4	10.8	10.6
Height (m)	15.4	14.8	14.8	15.1	7.8	7.8	8.1	8.0
Density (trees/ha)	1501.7	1632.6	1752.6	1616.9	975.8	1009.8	1197.3	1116.5
Total C (ton/ha)	55.5	55.7	46.6	51.8	16.2	8.2	8.6	9.2
Net growth (ton/ha/year)	1.5	2.0	3.4	2.3	−1.9	0.4	0.4	0.2

Note: Comparisons are based on inventory data collected in 2004 for Alabama and 2009 for Hunan, by Shuguang Liu of the U.S. Geological Survey Resources Observation and Science Center. The two regions have similar biophysical conditions (e.g., climate and soils), but socioeconomic regimes are vastly different as reflected in property rights, taxation, the existence and functions of markets, and technical and financial assistance. Forests in Hunan had a younger age structure than those in Alabama. Trees in Hunan were roughly half the size of those in Alabama in terms of both DBH (diameter at breast height) and height. Also, the average tree density was 1617 trees/ha in Alabama and 1117 trees/ha in Hunan.

levels and poor stand quality, which have resulted largely from the lack of effective management practices driven by convoluted institutional arrangements and governance systems and the risk, insecurity, uncertainty and ultimately disincentive they caused (Yin et al., 2003, 2014a).

As an example, Table 1 makes a comparison of forests in Hunan, China and Alabama, U.S. While the two regions have similar biophysical conditions (e.g., climate and soils), the socioeconomic regimes are very different in terms of property rights, taxation, the existence and functions of markets, and technical and financial aids. In the last decade, half of the forests in Alabama were hardwood forests, followed by softwood (42%) and mixed forests (8%); in Hunan, hardwood forests accounted only for 10%, softwood forests had the largest coverage (58%), with the remainder (32%) being mixed forests. Forests in Hunan had a younger age structure than those in Alabama. Trees in Hunan were roughly half the size of those in Alabama in terms of both diameter and height. Also, the average tree density was 1617 trees/ha in Alabama and 1117 trees/ha in Hunan, respectively. As a result, forests in Alabama contained a carbon stock of 51.8 tons per ha, 4.6 times larger than that in Hunan. The annual growth of forest carbon was 2.3 tons per ha in Alabama, but only 0.2 ton per ha in Hunan.

Against this backdrop of low growth and quality, poor stocking and structure, and poor productivity and functionality of the forest resources, the Chinese central government issued its *Document No. 9* in 2003—*Resolutions on Forestry Development*—reiterating its intention of devolving collectively owned forests to villagers, individually or in small groups (Wang et al., 2007). In general, it was up to the villagers collectively, via a 2/3 majority vote of the village representative committee or assembly, to decide whether and how to pursue the devolution. If a particular scheme was chosen, as much as 90% of collective-owned forestland in the village could then be divided up and allocated to individual or small groups of families. This process of devolution included signing legal contracts and issuing usufruct certificates, which differentiated the current wave of forest tenure reform from that of the 1980s (Yin et al., 2013a; Hyde et al., 2003). It also expanded the household's land use rights to encompass transferring, inheriting, and mortgaging its forestland, in addition to access and management (Xu, 2010; Yin et al., 2013b).

Then, in April 2008 the Central Party Committee and the State Council organized a full session of meetings to discuss the specific measures of policy change in the rural forest sector. In June, they jointly issued an official document—*The Decisions Concerning the Comprehensive Implementation of Reforming the Tenure System of Collective Forests*. That document stated that over the next five years, the country would undertake a new round of forest tenure reform and institutional change in order to accelerate forestry development in terms of investment and resource growth and productivity, to increase family income and employment opportunities from forestry, and to improve ecological conditions and ecosystem services (Xu, 2010). It stipulated that suitable collective forestland should be allocated to households for management—further devolving both the land use rights and tree ownership to families via

certain contracting scheme(s) with clearly delineated land boundaries, and ensuring that the management and usufruct rights of individual households are protected.

The duration of forestland holding by individual households could last up to 70 years and the contract could be renewed upon maturity. Private plots belong to individual households for permanent use and cannot be reverted back to the collective or reallocated among the villagers (Xu, 2010). Also, returns from the managed forestland will be the family's benefits. Takings for commercial or public purposes should be properly compensated, and the families who lose their forestland should be provided with appropriate livelihood support. Further, the property rights of the remaining collective forestland should also be clearly defined. Once the land use and forest ownership rights are defined, transfer and reallocation within forest uses based on farmers' own choices will be allowed.

It further stated that all the forests should be classified into commercial or ecological forests and be subject to a zoning management scheme and corresponding regulations (Wang et al., 2007). If household-contracted forestland is designated as ecological forest for generating public benefits, compensation should be made under certain scheme of payments for ecosystem services. In addition, to attract private interest and engagement in forestry, the government would further: (1) reform the taxation policy so that taxes and fees are reduced or eliminated; (2) relax the harvesting regulation gradually so that farmers can decide when to cut their timber and by how much; (3) restructure the financial system so that farmers can use their land and timber as collateral to obtain loans for investing in forest establishment and management; and (4) set up local centers of forest transactions to facilitate the transfer of timberland and the sale of timber.

Altogether, the use rights of over 99% of the collective forestland have been devolved and/or clarified, with more than 89.8 million households having received land use certificates (SFA, 2014). Single-household contracts have become the predominant form of land holdings, with a smaller number of multi-family contracts, leases to external investors, and village collective holdings (Xu, 2010). Thus, it is common for a household to have received multiple, and often tiny, pieces of forestland out of the devolution process.

Overall, these are significant steps in the right direction of building an appropriate land-use rights system and modifying the policy environment for forest enterprises, consistent with and fundamental to a market-based economy of forestry and sustainable management of forest ecosystems (Hyde et al., 2003; Yin and Newman, 1997). At the same time, there exist several salient policy conflicts, inconsistencies, and even maladaptations, as we have articulated earlier. Consequently, the empowerment and incentivization of forest-dependent communities have not come close to what was promised or hoped for. While the collection and cultivation of non-timber forest products (NTFPs) has been flourishing and growing rapidly, farmers' response to the tenure reform and institutional change, as reflected in managing the existing forests or developing new plantations, be they commercial or ecological, has been

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